

SCM-Orientation Course

Module: Logistics | Lesson: Introduction | Page: Learning Objectives

- Welcome to the Logistics module. Obtaining timely and continual support to keep weapon systems effective and operational is the primary goal of FMS logistics management. Providing great logistical support to FMS customers sometimes requires that standard DoD logistical methodologies be modified to meet FMS customer requirements.
- Let's take a look at the concepts and unique FMS policies used to modify the DoD logistical infrastructure so that we can provide the best support possible to our FMS customers. Ann Jones, a former FMS case manager, will join me as we help you understand logistics.

Module: Logistics | Lesson: Define Logistics | Page: Definition

- Logistics, as defined in Joint Publication 1-02, is the science of planning and carrying out the movement and maintenance of forces.
- General Dwight D. Eisenhower stressed the importance of Logistics when he said, You will not find it difficult to prove that battles, campaigns, and even wars have been won or lost primarily because of logistics.
- Good logistics planning and management is essential for maintaining the highest possible level of operational effectiveness for any modern weapon system. A partner country can buy the best weapon systems in the world, but without planning for continual logistical support, that weapon system can quickly become a large and expensive paperweight.

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- Logistics is a critical segment to the FMS Process. You may recall that the FMS process consists of three phases: pre-case development, case development, and case implementation, execution, and closure.
- The execution part of the third phase is the longest sub-phase of the process. During this time, DoD acquires and delivers all of the materiel and performs all of the services specified in the letter of offer and acceptance (or LOA). The execution phase includes ordering materiel through the DoD supply system, establishing and administering procurement contracts, arranging transportation services, sending FMS customer personnel to operator and maintenance training, and performing management and technical services.
- The execution phase can take several years to fulfill, sometimes 10 or more years, and involves both DoD and commercial organizations, such as a commercial freight forwarder to arrange transportation to the FMS customer's country.

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- Review this situation involving Bandaria's request for logistics support. What do you think?

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- The concept of total package approach, which, by policy, should be part of any major weapon system transfer, requires that consideration be given to include up to two years of initial

support. This means that an FMS customer should receive enough spares, support equipment, and services with the initial delivery of a weapon system to keep it operational until full follow-on support efforts provide for continuing life cycle support requirements.

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- The objective of this module is to provide an overview of the unique aspects of logistics support for FMS customers. The details of the policies and procedures for FMS logistics support can be found in several DoD and implementing agency publications. They provide the basis for what is discussed in this module and are the best references for follow-on questions on FMS logistics.
- You can find the governing FMS logistics policies and procedures within these documents. We won't be covering each of them individually, but it's important to know that they are key references and support this module's logistics discussion.

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- Let's take a closer look at logistics for initial support. This begins with the customer's letter of request. Parts of it will relate to the critical information the implementing agencies will need to determine initial logistics support requirements.
- For example, the U.S. government needs to know if the customer wants a special configuration of the weapon system or other materiel, or the standard U.S. version. The standard version costs less, is easier to support, easier to upgrade, and takes less time to produce. Review what the U.S. government needs to know from the FMS customer to enable developing the appropriate logistics strategies for initial support.

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- Definitization is a process of tailoring or configuring a U.S. weapon system to meet the customer's requirements. In many cases, major weapon systems come in a U.S.-configured version, and an export version. Definitization can be an extensive collaborative implementing agency and customer process.
- The objective is to provide optimum logistics support at a reasonable cost and to define specific requirements. The result will include a concurrent spare parts (CSP) list that is tailored to the customer's weapon system support requirements. Let's learn about the tailored export version of a weapon system as well as definitization conferences.

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- Let's examine primary and secondary items and how initial support is applied to each.

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- Now let's take a look at who at the military departments manages primary and secondary items.

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- The Army, Air Force, and Navy each have an International Logistics Control Office (or ILCO). Take a few moments to learn about them and their responsibilities.

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- Let's see how this works. Bandaria has a defined order case for an initial weapon systems sale. The Inventory Control Point or the Program Management Office will develop a definitized initial spare parts list and submit the MILSTRIP requisitions to the DoD supply system via the DLA Transaction Services on the behalf of Bandaria.
- DLA Transaction Services is responsible for routing all DoD logistics transactions. In this manner initial support material is programmed and ordered by the Implementing Agency as part of the Total Package Approach and pushed out to the purchasing country. Now take a look at a situation where Bandaria is purchasing follow-on spare parts.
- Bandaria will establish a Blanket Order or CLSSA case for purchasing follow-on support. Then Bandaria will determine what spare parts are needed and when they are needed based on its own inventory management guidelines. Bandaria will then submit its MILSTRIP requisitions to the DoD supply system via DLA Transaction Services.
- In all cases requisitions for the purchasing country will be routed through the ILCO computer systems to validate the requisitions for authorized case, funding, sensitivity, etc. The ILCO will then submit the requirements into the DoD supply system. The item managers will determine if the requisition can be filled from inventory or the items must be procured.

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- There is a relationship between the LOA and the MILSTRIP requisition.

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- International customers assign a supply priority to each requisition based upon the urgency of need and the force activity designator assigned to their country by the Joint Chiefs of Staff.
- They are assigned based on the political and/or military relationship between the U.S. government and the international partner. The supply priority enables the customer to indicate an urgency of need for a requested item.

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- Before the initial support supplies are depleted, the FMS customer should have a plan in place for follow-on support. FMS customers can get follow-on support through a variety of sources. They may be able to provide parts or services through their own logistics base or defense industry. Let's take a look at different sources for follow-on support programs.

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- The first type of follow-on support program we will discuss is the Cooperative Logistics Supply Support Arrangement case, which is known by its acronym, CLSSA. With a CLSSA case, the customer will receive the highest level possible of DoD supply support. The concept is that given a similar priority code, an FMS customer's CLSSA requisition will be treated the same as a domestic DoD requisition for the exact same spare part.
- Let's explore how follow-on support resources are allocated via a CLSSA case. For a moment, picture yourself as an item manager in charge of widgets, which are stored in a barrel at the depot. A requisition is submitted against a blanket order case or defined order case for Bandaria. Now you, as an item manager, will fill this order only if you have enough stock on hand to support DoD needs first. Anything below the reorder point is for DoD.

- The benefit of a CLSSA program to Bandaria is that because of equity list buy-in, the widget supply barrel will have more widgets to support all FMS customers that are participating in a CLSSA program for widgets.
- Also, since CLSSA customers receive the same support as a U.S. military unit, CLSSA requisitions can be filled from below the barrel reorder level. With CLSSA, many FMS customers, including Bandaria, have invested their money in the U.S. supply system. This means the FMS customer has better supply support and a quicker response time.

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- Follow-on support can be provided through various types of FMS cases. We just learned that the CLSSA case can provide the quickest DoD follow-on support. However, follow-on support can also be provided through blanket order and defined order cases. Most customers will have a combination of these three types of cases to fulfill their follow-on support requirements.

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- FMS customers also require maintenance support for their weapon systems. DoD has established two types of repair programs.

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- Occasionally, the international customer will purchase a weapon system on a direct commercial sale, or modify an FMS-purchased weapon system to the point that it is no longer standard with the DoD's version. In that situation, the customer may need to obtain non-standard follow-on support through various FMS non-standard support programs.
- To fulfill this obligation, the military departments have established non-standard support buying programs. Please take a moment to learn about them.

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- Another method to provide follow-on support is through the FMS Worldwide Warehouse Redistribution Services program—also known as WWRS. This is a virtual warehouse designed to transfer serviceable excess defense articles, consisting of spares and support equipment, from FMS customers to other FMS customers as well as to the U.S. government to fill materiel shortages at a generally reduced price.

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- Excess defense articles (or EDA) are another source of possible follow-on support items. DoD program managers will identify when inventory materiel is excess to U.S. defense acquisition requirements. If an item is declared EDA, unique FMS policies and procedures apply for its transfer through the FMS channels.
- Non-lethal excess defense property is turned over to DLA Disposition Services. International purchasers also may obtain property from DLA Disposition Services via FMS.

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- Transportation services are a critical element of FMS logistics support. The procedure used to transport materiel depends upon its source, its destination, its classification and the customer's capabilities. DoD encourages purchasers to be self-sufficient by making informed decisions regarding transportation arrangements.
- Purchasers can use DoD distribution capabilities on a reimbursable basis at DoD reimbursable rates via the Defense Transportation System (DTS), or employ an agent, known as a Foreign Military Sales freight forwarder, to manage transportation and delivery from the point of origin (typically CONUS) to the purchaser's desired destination. Let's start with a review of key terms relevant to the transportation process.

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- The Defense Transportation System provides transportation and freight handling services to the DoD and FMS customers through the U.S. Transportation Command.
- Three components make up the U.S. Transportation Command. The Navy's Military Sealift Command controls Navy ships, commercial, and private ships under DoD contract. The Air Force's Air Mobility Command coordinates with military air bases, commercial airports, Air Force aircraft, and commercial aircraft under DoD contract.
- The Army's Surface Deployment and Distribution Command controls the water ports, ground transportation, including rail, and coordinates with military and commercial shippers. It also serves as the DoD's freight forwarder.

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- The three key players involved in transportation logistics -- the U.S. government, the purchasing country, and the freight forwarder -- have specific responsibilities to ensure successful shipping and transfer.

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- DoD policy states that the FMS customer should be self-sufficient for transportation of FMS materiel. However, not all customers have the resources or capability to arrange their own transportation and not all materiel may be released into commercial channels for transport. For this reason, the LOA shows delivery term codes (or DTCs) to indicate the point where responsibility for physical movement of an FMS shipment passes from the U.S. government to the purchaser.
- Delivery term codes are found in Column 7 of the LOA for each applicable line. Numeric codes identify shipments from the U.S. government to the customer, and alpha delivery term codes are used for repair and return of purchaser-owned materiel that is being shipped back to the U.S..
- Other codes on the LOA identify the in-country customer's final destination location and the customer's freight forwarder. Remember that all these codes will become part of the MILSTRIP requisition transaction.

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- Regardless of how or where the material is transported, for FMS/FMF cases, title transfers at the point of origin, which is usually the DoD depot or the contractor facility. That means the FMS customer owns the materiel and is responsible for whatever happens to it, even though the U.S.

government or freight forwarder may have physical custody of the materiel. Let's learn more about DTCs.

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- A notice of availability, or NOA, must be sent by the DoD to the FMS customer's CONUS representative, or to the freight forwarder, anytime the materiel being shipped meets certain conditions.

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- Transportation plans are required for all classified shipments and all sensitive arms, ammunition, and explosives shipments. Review the critical points concerning transportation plans.

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- Let's explore the unique characteristics for transportation of materiel for Building Partner Capacity programs using pseudo LOAs. Remember that pseudo LOAs are based on U.S. government (usually DoD)-generated and funded requirements to transfer materiel to partners to assist U.S. counter-terrorism or counter-narcotics efforts.
- The best way to see these unique characteristics is to compare the transportation of pseudo LOA articles to standard FMS LOA articles' transportation. The U.S. government retains title to materiel shipped against a pseudo LOA until transfer to the foreign recipient in the destination country.
- What do these differences mean to the Security Cooperation Officer? The SCO must coordinate to ensure the country is ready to receive the materiel and to ensure the proper security transfer documents are in place. The pseudo materiel will arrive into country via DTS. The SCO will be responsible for receiving the materiel and transferring it to the foreign government.
- The SCO or other DoD representative must prepare any applicable transportation discrepancy reports or supply discrepancy reports prior to the transfer.
- Any loss or damages to the materiel must be resolved by the U.S. government prior to transfer to the customer. With FMS, the customer assumes all liability, and since title transfers at origin, the shipping documents serve as receipt and evidence of ownership.

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- What if the customer orders 10 widgets from the U.S. inventory and only receives 5, of which 3 are damaged, and then, they get billed for 15 widgets? The answer: The FMS customer may file a claim against the U.S. government. Let's explore supply discrepancy reports (or SDRs) and how the FMS customer and DoD try to resolve them.

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- Supply discrepancy reports have submission constraints both in time and in dollar value. They must be submitted to the ILCO within one year from the date of shipment, or if the item was not received, from the date of billing.
- For example, if the shipping date was March 1, 2013, and the item spends four months in transit, the last date to file an SDR is February 28, 2014. This is true even though the customer only had possession of the item for eight months.

- The value of the claim must be at least \$200 in order to be an acceptable claim. This value may include the cost of packing, crating, handling, and transportation to the customer.

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- Besides time and value criteria, certain general discrepancy rules apply. In addition, the FMS customer must understand the difference between discrepancy issues and warranties, as well as what must happen if the supply discrepancy report is not approved.

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- There are numerous reasons why logistics can be very complicated and why the delivery of items can take a significant amount of time. The probability is high that any end item or major component requested in an LOR is not yet built. DoD acquisition priorities focus on U.S. forces first, especially in wartime.
- Any non-standard configuration complicates acquisition and delays delivery. DoD has limited transportation capabilities; thus, it is usually best that a customer arranges for its own transportation requirements.
- This module provided an introduction to logistics. Since there's a lot to retain, we've created a continuity book that summarizes key terms, organizations, and policies that you can download before you exit.